



Welcome to the Rebuild Michigan Financing Webinar

March 12th, 2014

Please stand by for your host.
We will be joining you shortly.



Agenda

- **PACE (Property Assessed Clean Energy) Financing** - Andy Levin, Levin Energy Partners/Lean & Green Michigan
- **Municipal Financing** - Dave Massaron, Principal, Miller Canfield Paddock & Stone, LLC
- **Energy Savings Performance Contracting** - Scott Kuhn, VP of Business Development, Green Campus Partners, LLC
- **Michigan Saves** - Todd O'Grady, Public Sector Consultants/Michigan Saves

The Lean & Green Michigan™ Approach to Property Assessed Clean Energy (PACE)

An Innovative Way to Help Michigan Businesses
Save Money, Create Jobs, Grow the Tax Base
and Green our State

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Property Assessed Clean Energy (PACE)

Lean & Green Michigan™ brokers long-term financing so business property owners can undertake energy improvements profitably – making their business more efficient while gaining positive cash flow to plow back into operations



Public policy bottom line:

PACE is an economic development incentive that requires **no** taxpayer money. The local govt. simply gives its businesses a property tax tool to make long-term financing work for clean energy projects.



BACKGROUND: MICHIGAN'S PACE STATUTE

- Public Act 270 of 2010 became law on 12/14/2010
- Covers commercial, industrial and multi-family property – not single family property
- Affords flexibility on financing arrangements
- Allows up to 100% loan-to-value (LTV) financing
- Bank must consent if there's a mortgage
- Allows municipalities to work together
- 31 states and DC have adopted PACE statutes (all since 2008!)



Who can take advantage of PACE?

- Owners of commercial, industrial and multi-family property (virtually all business owners)
- Private non-profits (churches, hospitals, private schools and colleges, etc.)
- Who can *not* use PACE under the MI statute?
 - Single family homes
 - Government buildings



What can be financed under Michigan's PACE Statute?

- Energy efficiency improvements
- Water efficiency improvements
- Renewable energy improvements
- 100% of eligible project costs
- Refinancing all of above



MORE DETAILED LIST: WHAT CAN BE FINANCED

- Insulation
- Caulking, weather-stripping, and air sealing
- Windows
- Doors
- Energy control systems
- HVAC
- Energy recovery systems
- Lighting fixtures and day lighting systems
- Electrical systems to charge PEVs and HPEVs
- Water use reduction or efficiency
- Energy-efficient or water-efficient manufacturing processes and equipment
- Biomass
- Solar photovoltaics
- Solar thermal
- Wind
- Geothermal
- Methane gas captured from a landfill
- **Anything else approved as a "utility cost-savings measure" by a municipality participating in Lean & Green Michigan™**
- Exclusions: incinerator and digester

PACE CRACKS THE ENERGY FINANCE NUT

- Problem: most clean energy projects don't work with traditional financing (payback > loan term)
- “Special assessment” mechanism provides more secure, longer term financing
- As a property tax, a PACE special assessment:
 - Is senior to any mortgage, so it is extremely secure
 - “Runs with the land,” so it moves to new owner if property is sold



PACE CRACKS THE ENERGY FINANCE NUT (CONT.)



- Longer term
 - Typical commercial loan: 3-5 years
 - PACE: 7-20 years
- Secure fixed interest rate
- Reduced risk for lender
- Contractors must guarantee the energy savings on projects over \$250,000

The Lean & Green Michigan Model (I)

PUBLIC-PRIVATE PARTNERSHIP: FAST, FREE, EFFICIENT

- Traditional model: local govt. pays vendor \$200,000 to \$1,000,000 to create PACE district
- Better way: join Lean & Green Michigan™ for free
 - Levin Energy Partners administers the district
 - Miller Canfield does the legal work for local govt.
 - LEP and MC are compensated by administrative fees on each privately-financed PACE deal, *not* by County
- This Public-Private Partnership approach is faster (no vendors, no RFP process) and avoids risk for local govt., which invests no money



The Lean & Green Model (II)

SHARED SERVICES, STATEWIDE IMPACT

- Michigan statute allows jurisdictions to create ***shared*** PACE district
- Lean & Green Michigan™ creates a statewide PACE market open to all
- Companies get one set of efficient rules for projects across state
- Lenders get broad and diverse pool of projects to finance
- Counties & cities save money and avoid duplication with a “shared services” approach



The Lean & Green Model (III)

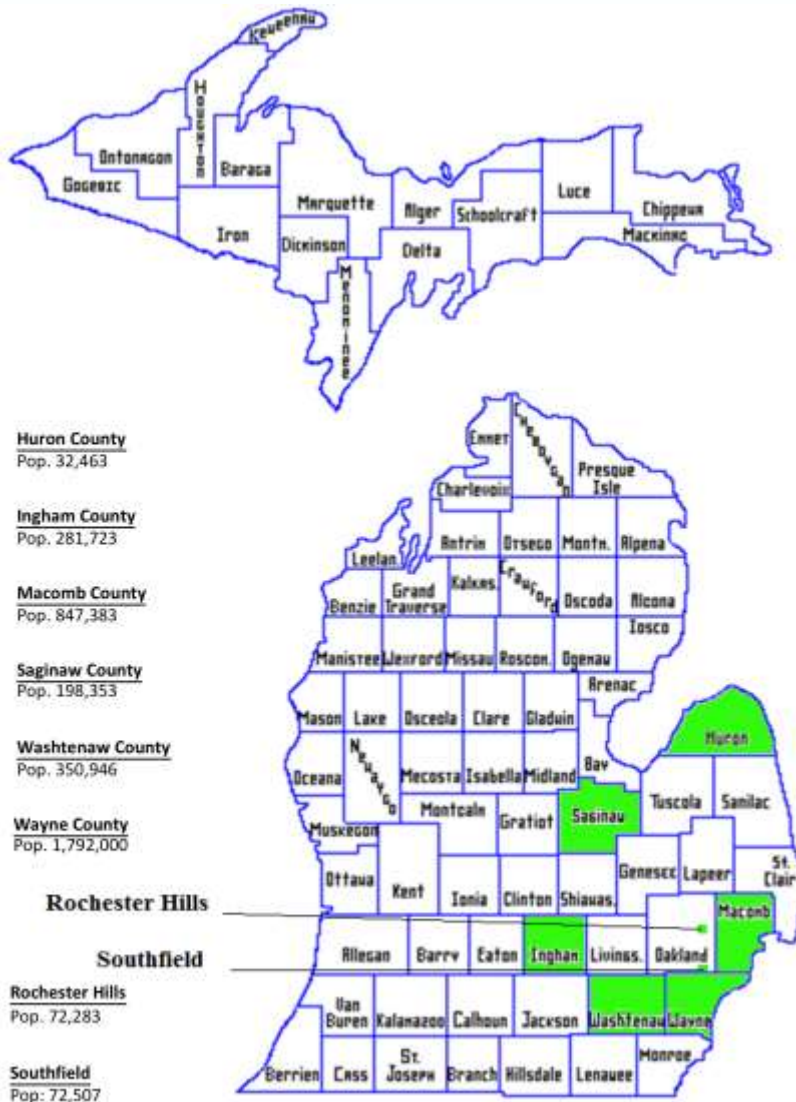
FINANCE PROJECTS WITH PRIVATE CAPITAL



- Private financing unleashes the market to drive growth
- Lean & Green brings it!
 - PACE funds: Structured Finance Assoc., Clean Fund, Petros Capital Partners, Samas Capital
 - Banks: Citi, Wells Fargo, Comerica, Fifth Third, PNC, etc.
 - Private Equity
 - Labor capital: Ullico, pension funds

- Public funding is allowed but not necessary

A FAST-GROWING MARKET



- 6 counties and 2 cities
- Including 1st, 3rd and 10th largest counties
- Over 3,700,000 people
- 37% of state population
- Expanding at a rapid rate

ECONOMIC DEVELOPMENT IMPLICATIONS

- Economic gardening – help *all* home grown industries
- Property owners: save money, get green PR
- Tenants/employees: buildings are more comfortable, less expensive, and greener
- Contractors: get a new way to gain business
- Citizens: put local residents *to work* on retrofits, etc.
- County: cutting edge of greening; improve biz climate
- Planet: reduce carbon footprint



What's Coming Next?



- A 90-second PACE video will go live on our website within two weeks
- We will announce the first project to close within four weeks; the pipeline exceeds \$20,000,000
- We will be unrolling a contractor training and enrollment program (incl. CEC's) in Q2
- Bay County will finish joining LAGM in April, and others are close behind

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Rebuild Michigan

Municipal Debt Financing

March 12, 2014

David P. Massaron



Can We Finance?



"Welcome to Pittsburgh!!!"

Borrowing Authority

Dillon's Rule

A municipality may only exercise those powers expressly granted, necessarily implied, or which are essential — not simply convenient, but indispensable.

Revised Municipal Finance Act, Public Act 34 of 2001

"[a] municipality shall not issue a municipal security except in accordance with this act."

"Security" means "an evidence of debt such as a ...contract, obligation...or other similar instrument issued by a municipality, which pledges payment of the debt by the municipality from an identified source of revenue."

So how does a municipality borrow money?

1. Municipal Bonds
2. Installment Purchase Agreements

A local bank can buy the Issuer's municipal bonds or installment purchase agreements.

Can a muni borrow money without an election?

YES - several statutes authorize the issuance of bonds after a notice and referendum process.

1. Municipality adopts Resolution of Intent to Issue Bonds.
2. Notice to Electors is published in the local newspaper as a $\frac{1}{4}$ page advertisement.
3. Referendum period expires 45 days after publication.
4. City may issue bonds unless petitions signed by 10% of registered voters is filed within the 45-day period.

Municipal Bonds – Different types for various needs

- Voted Unlimited Tax General Obligation Bonds
- Capital Improvement Bonds
- Energy Conservation Bonds
- Special Assessment Bonds
- Revenue System Bonds
- Contract (Authority or County-issued) Bonds
- Installment Purchase Contracts

Parties to Municipal Finance Transactions – The Team

- Issuer (i.e. municipality or authority)
- Bond Purchaser (Bank or Underwriter)
- Bond Counsel
- Financial Advisor

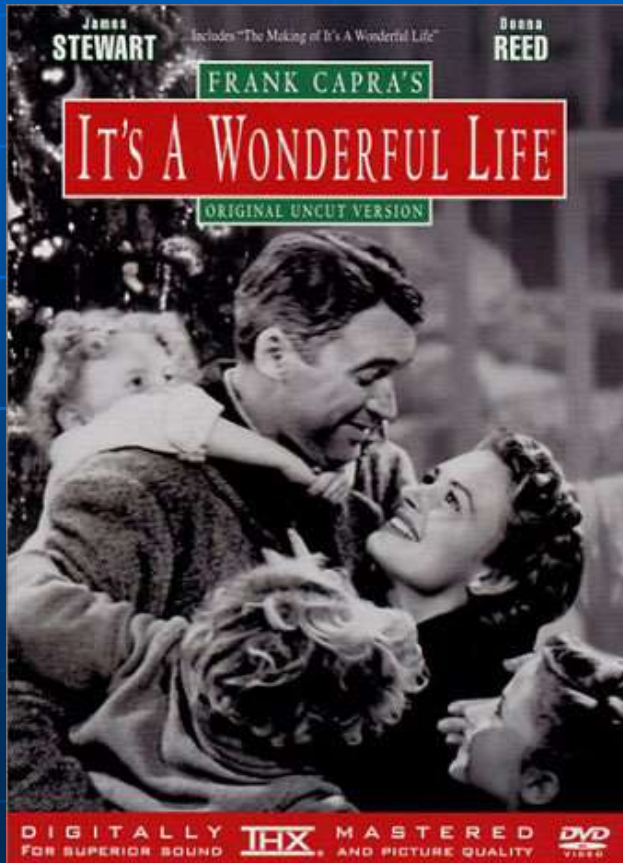
Other Participants

It's A Wonderful Life ...

Clarence, Angel First Class

The "Angels" With You:

- Public
- Wall Street
- MI Dept of Treasury
- IRS
- SEC



Time for Questions ... And Time to Quit!





Energy Savings Performance Contracting

March 12, 2014

Michigan Economic Development Corporation

Rebuild Michigan Financing Webinar



GCP
GREEN CAMPUS PARTNERS

Green Campus Partners

- GCP provides customized financing solutions to facilitate the implementation of energy conservation and distributed renewable energy projects for state, local governmental units, school districts, private education and healthcare.
- Founded in 2009 by experienced energy finance experts.
- 2010 GCP was purchased by Hudson Clean Energy, one of the nations leading clean tech investment firms.
- GCP works within all the US states and has a vertical market providing financing for US government and public housing ECM and renewable projects.
- Since 2010 GCP has funded over \$785,000,000 in energy projects.



Energy Savings Performance Contracting

What is it?

“The use of *guaranteed savings* from the maintenance and operations budget (utilities) as capital to make needed upgrades and modernizations to your building environmental systems, financed over a specified period of time.”

- Source: United States Department of Energy



Energy Savings Performance Contracting

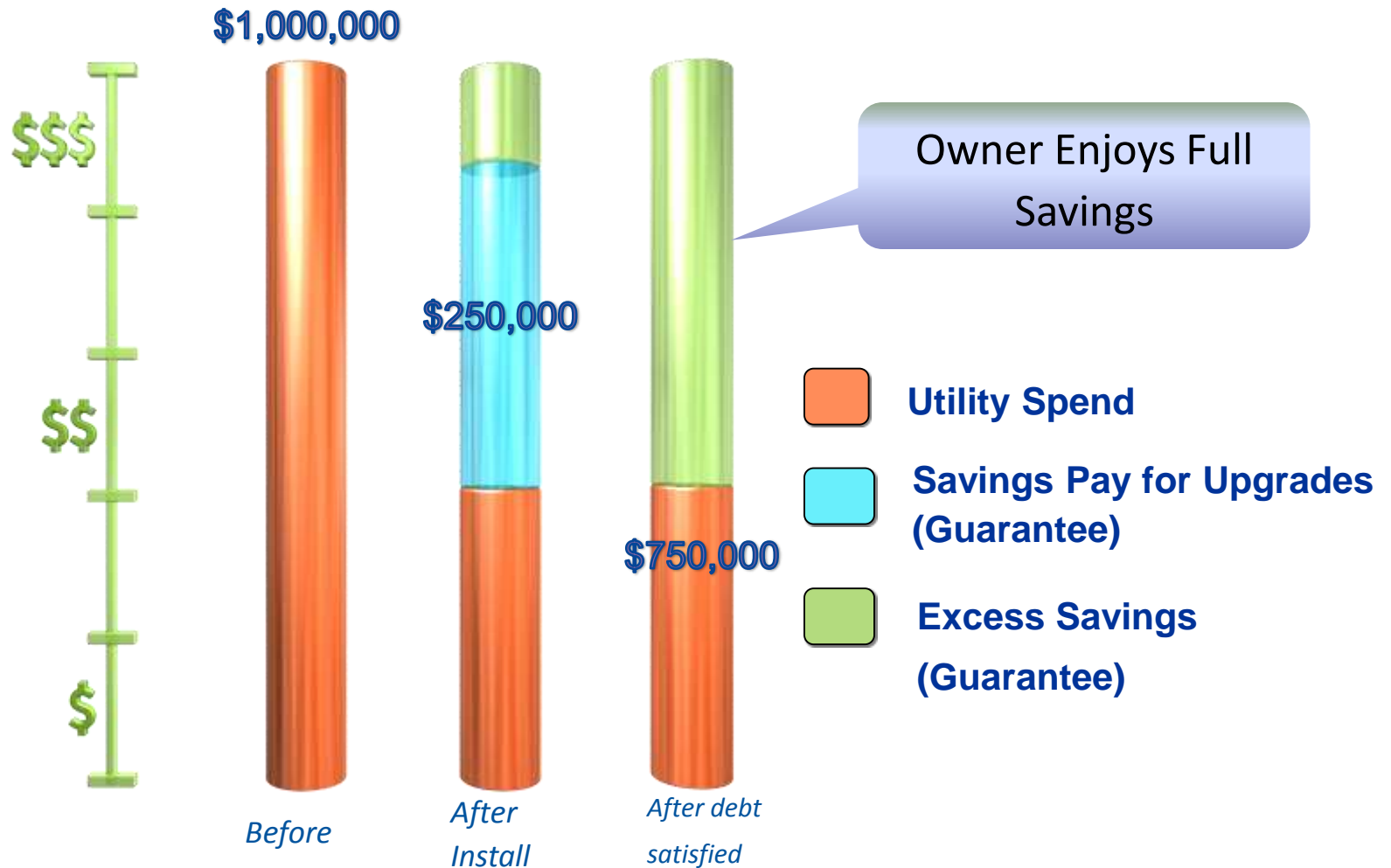
A mechanism for procuring and implementing capital improvement projects today, through the guaranteed energy and operational savings they create in the future.

A *partnership* between a facility owner and an Energy Services Company (ESCO) to:

- Identify energy, and other cost saving streams to ensure budget integrity
- Implement comprehensive/complex efficiency projects
- Guaranteed *Savings, Costs & Performance* (*Transfers Risk from Customer to ESCO*)
- Includes Engineering, Installation, Project Management, Training, Service & Support (*Turnkey*)
- Multiple Funding Options (*Cash, IPA or Bond*)

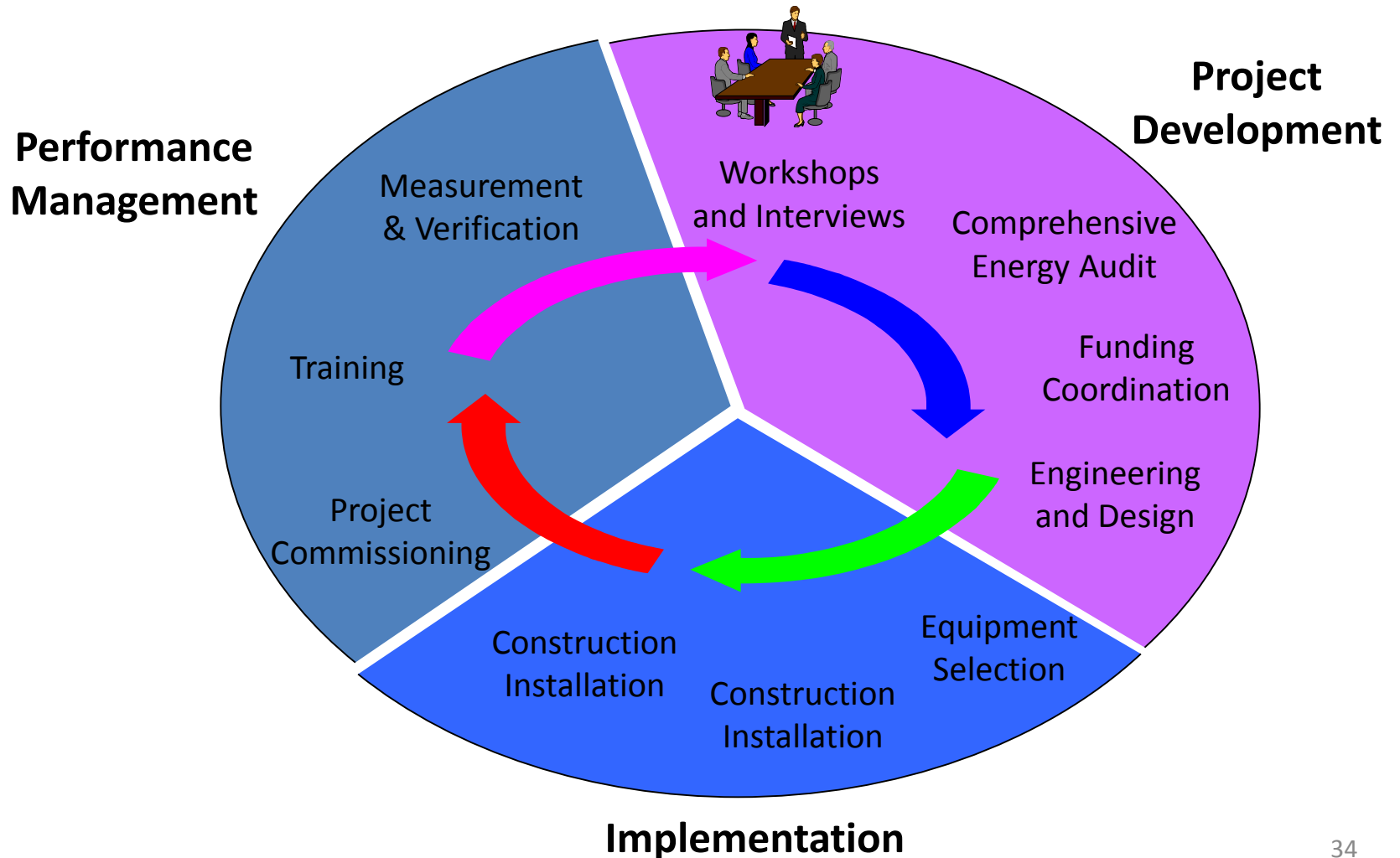


How Does The Money Flow?





Typical Process





GCP
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Business Energy Financing

Todd O'Grady
Program Coordinator
Michigan Saves



What is Michigan Saves?



Current Programs



Turnkey Process: Easy. Affordable. Smart.

1. Find an authorized contractor and identify upgrades

2. Apply for financing via an authorized lender and execute financing agreement

3. Contractor installs upgrades and gets paid by lender after work is completed

Business Energy Financing

- Financing for energy efficiency improvements
- Loans from \$2,000 to \$250,000
- Available to all types of businesses
- Fast, easy process.
- Below-market rates with flexible terms
- Prefunding available



www.michigansaves.org



“In the end, we were convinced by the numbers. We did this project to save money, and we’ve been really happy with the project.”



— Sam Bahoura
Liberty Food Center

\$2.3M financed over 100 jobs so far!



Typical Improvements

- Lighting
- HVAC
- Refrigeration
- Kitchen/cooking equipment
- Controls and preventive maintenance
- Insulation, windows, and doors
- Custom measures, with whole building audit



“We would not have been able to afford all the lights up front. But because of the financing option, we’re able to save money and make our art look spectacular, too.”

– Amy Zane
Amy Zane Store & Studio



www.michigansaves.org



Happy Customers

- Dearborn Country Club
- YMCA of Saginaw
- McDonald's
- Michigan Greenhouse Company
- Contractors Building Supply
- The Detroit Tennis and Squash Club
- Dozens of gas stations and convenience stores



“It just made sense. When we factored in the rebates from the utility companies and how much energy we would save, the board knew it was a good decision.”

**— John Matway
Dearborn Country Club**



www.michigansaves.org



Michigan Saves QA Process

- Review documentation
 - Certificate of Completion
 - Specification Sheet
- Site inspections upon project completion
 - Inspect installations against Specification Sheet
 - Will try to coordinate with lender, utilities, and other programs to avoid multiple inspections at single location

Customer Benefits

- Turnkey
 - Speed of process
 - Easy and affordable
- Great deal
 - 2.99% available DTE, CE
 - Below-market rates on all jobs
 - Low monthly payments
 - Lowest cash down
- Protects current lines of credit



Contractor Benefits

- Differentiate yourself!
 - Traditional financing has a bad reputation
 - Michigan Saves is easy, affordable, smart
- Increase your project size
 - Our data show that financed projects are **2.5x larger** than projects that pay cash
 - Low interest rate—increases project size and lowers cost to customer

Selling with Financing

- Mention financing several times
 - First contact, during assessment, and with quote
- Show the numbers!
- Emphasize low down payment and positive cash flow, if achievable

Resources

- Go to www.michigansaves.org
 - Contractor application and training information
 - Program guidelines and forms
 - Case studies
 - Program updates

Contacts

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